

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-192-W/S - ORDER NO. 92-1030
DECEMBER 15, 1992

IN RE: Application of Kiawah Island Utility,)
Inc., for approval of adjustments) ORDER APPROVING
in its rates and charges for water) RATES AND CHARGES
and sewer services.)

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an application filed on behalf of Kiawah Island Utility, Inc. (the Company or Kiawah) for approval of a new schedule of rates and charges for its water and sewer customers on Kiawah Island in Charleston County, South Carolina. The Company's June 16, 1992, application was filed pursuant to S.C. Code Ann., §58-5-240 (1976), as amended, and R.103-821 of the Commission's Rules of Practice and Procedure.

By letter dated June 24, 1992, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's application. The Notice of Filing indicated the nature of the Company's application and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file the appropriate pleadings. The Company was likewise required to notify directly all customers affected by the proposed rates and charges.

Petitions to Intervene were filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate) and Kiawah Residents Group (KRG).

The Commission Staff made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. The other parties likewise conducted their discovery in the rate filing of Kiawah.

A public hearing relative to the matters asserted in the Company's application was held on November 5, 1992, and November 24, 1992, in the Hearing Room of the Commission at 111 Doctor's Circle, Columbia, South Carolina. Pursuant to §58-3-95, of the S.C. Code, a panel of three Commissioners composed of Commissioners Yonce, Bowers, and Frazier was designated to hear and rule on this matter. Lucas C. Padgett, Jr. Esquire, and Leonard Long, Esquire, represented the Company; Carl F. McIntosh, Esquire, represented the Consumer Advocate; Michael A. Molony, Esquire, appeared on behalf of the KRG; and Marsha A. Ward, General Counsel, and F. David Butler, Staff Counsel, represented the Commission Staff.

The Company presented the direct testimony of Townsend P. Clarkson, Treasurer of the Company and Chief Operating Officer of Kiawah Resort Associates, L.P. The Company presented the rebuttal testimony of Mr. Clarkson, Mitchell Bohannon, of Thomas & Hutton Engineering Co., and Arnold Ellison, President of Community Services Management, Inc. The witnesses explained the services being provided by the Company, the financial statements and

accounting adjustments submitted, the reasons for the requested rates, as well as addressed several issues raised by the Staff and the Intervenors. The Consumer Advocate presented the testimony of John J. West, who analyzed the Company's application and revenue requirements. The KRG presented the testimony of Wallace DuBois, Richard Sayers, and Tom Nelson, who testified to the concerns of the customers regarding the proposed increase. The Commission Staff presented the testimony of Robert W. Burgess, Public Utilities Rate Analyst and Bruce Hulion, Public Utilities Accountant.

FINDINGS OF FACT

1. The Company is a water and sewer utility operating in the State of South Carolina and is subject to the jurisdiction of the Commission pursuant to S.C. Code Ann., §58-5-10 (1976) et seq.¹ Application of Company; Clarkson testimony.

2. The Company provides water service to 2,343 customers and sewer service to 2,058 customers on Kiawah Island, Charleston County, South Carolina. Hearing Exhibit No. 15.

3. The Company purchases its water from St. Johns Water Company, Inc. The Company has two ground level storage tanks with a capacity of 3.5 million gallons, along with support equipment for the pumping and metering of the water supply and distribution

1. Kiawah Island Utility, Inc. is owned by Kiawah Resort Associates, L.P. On June 28, 1988, Kiawah Resort Associates purchased the Kiawah Island Resort, including the stock of the utility, from Kiawah Island Company, Ltd. On June 25, 1992, KRA sold its assets, including its stock in the utility to KRA, L.P.

system. The Company's sewer system is comprised of gravity collection mains, force mains, and treated effluent transfer mains, aggregating approximately 56 miles, 32 sewage pumping stations, and a wastewater treatment facility. Testimony of Clarkson.

4. The Company's present rates and charges were approved by Order No. 90-1080, dated November 5, 1990, in Docket No. 90-49-W/S. Hearing Exhibit No. 15; files of the Commission.

5. At present, the Company has six rate schedules relating to its water and sewer charges and conditions and other miscellaneous service charges. The Company's residential water service charge is \$15.00 per month for a minimum bill of 0 to 4,000 gallons. All water consumed over 4,000 gallons per month is billed at a rate of \$1.60 per 1,000 gallons. The Company presently charges a flat rate for residential sewer of \$20.00 per month. The Company's tap fees are \$500 for both water and sewer for residential customers. Tap fees are based on meter size for the other classes of customers. The Company does not propose to change its water or sewer tap fees for any class of customer, except the Hotel/Motel class from \$220/room to \$250/room.

The Company's present rates and proposed rates are depicted in Hearing Exhibit No. 15, Part A of the Water and Wastewater Department's exhibits in the Commission Staff Report. In lieu of discussing all proposed changes in the Company's six rate schedules, the Commission will highlight the changes requested to the Company's residential service rates and terms of service. The Company proposes to increase the residential water service

charge to \$20.00 per month for a minimum bill of 0 to 3,000 gallons. The minimum water rate increases based upon the meter size of the service connection. The commodity charge proposed by the Company would increase from a \$1.60 per 1,000 gallons to \$1.80 per 1,000 gallons. The Company proposes to increase its sewer service charge to a flat rate of \$24.50 per month.

The Company proposed two special billing adjustments. One dealt with a proposal to automatically pass through price changes from St. Johns Water Company to Kiawah Island Utility, Inc. pursuant to the Company's contract with St. Johns Water Company. Accordingly, whenever a price adjustment to the Company is forwarded by St. Johns, the Company would propose to increase the unit price of potable water sales to all customer classes by the amount of that increased cost. Concomitantly, if the delivered unit price is decreased by St. Johns, the Company would pass that decrease on to its customer classes. The second special billing adjustment deals with a governmental entity or regulatory agency which may be empowered to bill the Company an assessment based on customer units served by the Company. The Company proposes that it should be allowed to bill its customers for the applicable unit cost of that assessment. The Company proposes that the assessment charge would be identified as a separate billed item and included in the total of the service billing. The Company did agree that before any special billing adjustments would be made, the Commission would be made aware of the proposal and be given satisfactory proof of the basis for the adjustment at least sixty

(60) days before the proposed effective date. Also, the Company would be required to furnish thirty (30) days' notice prior to implementation of the special billing adjustment to the customers. Presently, no such scenerio exists as a factual matter. Testimony of Clarkson; Application.

6. The Company asserts that its requested rate increase is required because of several reasons. The Company has just completed a major capital improvement program which was financed by a loan from NCNB to the Company. The loan was initially in the amount of \$2.5 million and was subsequently increased to \$5.325 million in order to finance the construction of the capital improvements necessary to increase the capacity of the utility system. The increased capacity of the utility system was necessary in order to assure the present customers ample water pressure for domestic use and fire protection and to provide for the future growth anticipated on the Island. These capital improvements were constructed in 1990 through 1992 and include, but are not limited to, the construction of a 2.5 million gallon storage tank, pump station, pipelines, Company administration building, shop building, effluent transmission lines, off-island water transmission lines, drying beds/compost operation, and the construction of a new deep well. In 1991, KRA sold plant, equipment and transmission lines totaling \$1,750,000 to the utility. The financing of the approximately \$5.325 million in capital improvements requires an interest payment to NCNB of \$380,000 per annum. The principal and interest payment of approximately \$32,740 per month commenced in

August, 1991. Additionally, since the last rate increase, St. John's Water Company has increased its charge for water purchased from \$1.1432 per 1,000 gallons to the current rate of \$1.3429 per 1,000 gallons, for an increase of 16.26%. Application of Company; Clarkson direct testimony and rebuttal testimony.

7. The Company proposes that the appropriate test period to consider its requested increase is the twelve-month period ending December 31, 1991. Application of Company; Clarkson. The Staff concurred in using the same test year for its accounting and pro forma adjustments. Hulton testimony; Hearing Exhibit No. 15. The Intervenor did not contest the test year.

8. Under its presently approved rates, the Company states its operating margin after interest and after accounting and pro forma adjustments is (14.89%) for its combined water and sewer operations. Application of Company, Exhibit D. The Company seeks an increase in its rates and charges for water and sewer service which would result in operating margin of 7.07%. Application of Company, Exhibit D.

9. Under the Company's presently approved rates, the Company states that its operating revenues for the test year, after accounting and pro forma adjustments, are \$2,038,547. The Company seeks an increase in its rates and charges for water and sewer service in a manner which would increase its operating revenues by \$481,717. Application of Company, Exhibit D.

10. Under the Company's presently approved rates, the Staff found that the Company's per book operating revenues for the test

year were \$1,920,374 after accounting and pro forma adjustments. The Staff calculated the proposed increase to be in the amount of \$472,384. The Staff's calculation recognizes certain adjustments necessary to both revenue figures and consumption due to the Company's cycle billing of its customers. Staff's adjustments to per book revenues reflected a correction of billing information and the elimination of tap fees, interest income and other inappropriate miscellaneous income from utility revenues. Hearing Exhibit No. 15.

11. The Company asserts that under its presently approved rates, its total operating expenses for the test year, after accounting and pro forma adjustments are \$2,342,172. Application of Company, Exhibit D. Staff concluded that the Company's operating expenses for the test year, after accounting and pro forma adjustments, are \$1,786,405. Hearing Exhibit No. 15. Staff arrived at this proposal after making certain adjustments to the Company's expenses.

The Company, the Staff, the Consumer Advocate, and the KRG all proposed certain adjustments to the Company's books and records. The Company did not contest the Staff's adjustments in all but the following areas: the Management Fee, rate case expenses, data processing upgrade, and the treatment of the Ocean Course Drive Extension. In addition to that, the KRG called into question the \$1,750,000 asset transfer from KRA to Kiawah Island Utility, Inc. and certain transactions between the Company and its parent, KRA. The Consumer Advocate supported all of Staff's adjustments except

for its treatment of availability fees. The Commission will herein discuss only those adjustments and proposals in dispute between the parties.

(A) Management Fees

The Company, in its Application, proposed an adjustment of \$21,517 to expenses to recognize a contract for management fees between the utility company and KRA. This contract calculates management fees at the rate of 6.0% of actual revenues collected on a monthly basis. The Company estimated that the revenues collected will increase due the proposed rate increase and that the management fees will increase by \$21,517. In his prefiled testimony, witness Clarkson proposed an adjustment of \$18,052 for the management fee. In support of the adjustment, Mr. Clarkson testified that the scope of work and/or services rendered includes computer services, accounting services, supervision by Mr. Clarkson, and assistance from various executives and employees of KRA. The Commission Staff, in its review, determined that a fee based on a percentage of total revenues was not appropriate and adjusted management fees by eliminating \$93,632 in expenses. Based on information provided to the Commission Staff by the Company, the same duties were performed by management as was approved in the Company's last rate case. Therefore, Staff allowed the Company a \$3,000 per month charge for management fees because the Company provided no information relating to additional duties or responsibilities for this case.

On rebuttal, Mr. Clarkson provided Hearing Exhibit No. 8 which

related to the services provided KRA to the utility and showed the management expense allocation from KRA to the utility company. This information, particularly the expense allocation information, has not been audited by the Commission Staff or any other party participating in this proceeding. Mr. Clarkson indicated that the allocation methodology was similar to that approved by the Commission for Heater of Seabrook, a neighboring utility regulated by the Commission.

(B) Rate Case Expenses

The Company submitted updated information concerning the cost of the current rate case. The Commission Staff accepted this information and concurs with the updated information provided by the Company. Therefore, Staff's and the Company's adjustment for rate case expenses amounts to \$18,078. Hearing Exhibit No. 7.

(C) Data Processing Upgrade

The Company proposed to increase equipment rental for a computer lease upgrade. At the time of the Commission Staff's audit, there was no basis to support this increase. There was no contract or any information available to the Commission Staff to verify this data processing upgrade. The Company proposed an adjustment to O&M Expenses to increase such in the amount of \$2,832. Mr. Clarkson testified that since the audit, the Company has purchased the data processing system and proposes to depreciate this item over five (5) years for a total of \$31,476. The Company supplied Hearing Exhibit No. 6 in support of its request.

(D) Ocean Course Drive Extension

The Commission Staff proposed to remove the costs associated with the Ocean Course Drive Extension from plant and its related charges to Accumulated Depreciation. The extension to serve that area cost the utility company \$382,327 for the water and sewer transmission lines. The lines will serve approximately 406 lots in the area. At the time of Staff's audit, only 13 taps had been made. According to the testimony of the Company, the Ocean Course Drive Extension presently serves the ocean course clubhouse, a maintenance building, and two homes built on the site. At the time of the hearing, 17 lots had been sold, three lots are "on hold" with contracts pending, and 176 lots have been platted or in some stage of the plat approval process. According to the testimony of the Company, the lots must first be platted or have received preliminary plat approval before they may be sold.

Staff considered the 13 taps made which equates to 3.2% of the 406 lots in the area. The Staff increased this percentage by 25% which represents the reserve capacity of the current system. This was calculated taking the current sewer system capacity of 2,750 versus the current taps of 2,058 and equals a final factor of 4.0%. Staff applied this factor to the cost of the Ocean Course Extension of \$382,327 to arrive at an annual amount of \$15,293 for plant in service. Staff then added two more years worth of plant to be phased in under the Company's representation that it will be approximately two years before it returns for another rate case. The resulting figure of \$45,879 to be included in rate base allows

the Company to collect the costs of the Ocean Course Extension over time as the area builds out, as well as depreciate the asset as it is used. As the area grows, so will the amount allowed in plant in service and depreciation. It was the Commission Staff's opinion that to charge the present ratepayers the entire cost of the extension would be an unfair burden to the present ratepayers because such a small percentage of the system is being utilized. The Staff's methodology phases in the cost of the extension to match the growth of the build-out of the lots in this section.

Company witness Clarkson noted that the Commission Staff's treatment of the Ocean Course Drive Extension was a departure from the Commission's 1985 rate case concerning that portion of Governor's Drive, known as Loop Road. The Commission ruled in 1985 that it was appropriate to include the Governor's Drive extension in the rate base under the following rationale:

It is in the public interest that the Company plan for its future needs and be able to render service to those future customers when customers desire it. Therefore, the Commission finds both the water and wastewater plant and the Loop Road project to be properly included in the Company's plant in service.

Order No. 85-834, p. 12, issued September 30, 1985, in Docket No. 85-83-W/S.

The Company took the position that the system is used and useful and that this will aid in the development of the Ocean Course Drive area. Without water and sewer to the area, no plats can be made, therefore, no lots can be sold. Additionally, the development of this area represents the natural progression of the

development on Kiawah. The Company notes that there are customers at the very end of the Ocean Course Drive Extension, namely, the Ocean Course Clubhouse and the separate maintenance facilities. The Company points out that KRA paid \$373,000 of the costs of the line while the utility company paid \$382,327 of the total costs. The Company was of the opinion that the transmission line cost of the Ocean Course Drive should be part of the utility's rate base and that the Staff's adjustment should be revised to allow the inclusion of the Ocean Course Drive fully in plant in service similar to the Commission's ruling in 1985.

The witnesses for the KRG also testified that the cost of the Ocean Course Extension as well as the Rhett's Bluff Extension are being unfairly underwritten by the utility's captive customer base. It was the opinion of the Intervenor, KRG that these costs should not be included in the Company's rate base.

(E) Asset Transfer

The KRG challenged the \$1,750,000 transfer of equipment and transmission line costs from KRA to Kiawah Island Utility, Inc. The KRG was of the opinion that a portion of the assets transferred could not be specifically identified.

The Company responded through the rebuttal testimony of Messrs. Clarkson and Bohannon. Mr. Clarkson testified that after the system was transferred in 1988, it became apparent that the utility company was using lines and equipment at Kiawah Island to which it clearly had no title or ownership. Past financial statements, old records and deeds or bills of sale were researched

to determine the value of the Company's system and to identify which assets the Company owned. Based on this research, Mr. Clarkson testified that Kiawah Island Company, Limited had sold certain water and sewer assets to the utility company over the years prior to 1988, but were very informal about documenting the transfers. The system of transmission lines and plant and equipment for the utility company had never been itemized or inventoried, and it appeared that the utility company was using certain assets to operate a substantial business to which it had no title. It appeared from the few records available, that the Kuwaities had sold both transmission and distribution lines to the Company for the cost of construction.

Mr. Clarkson then commissioned a study on behalf of the utility company as the potential buyer of such assets that would detail the transmission lines and plant assets being used by the utility company and assigned to them their historical costs. The engineering firm of Thomas & Hutton was asked to prepare the study. Thomas & Hutton had been involved in the master planning of Kiawah and had provided design and construction administration for most of the utility projects on the Island except for a few provided in the early 1980's. According to Mr. Bohannon, from the time of 1974 to July 1988, Thomas & Hutton provided engineering design and services to the island. The selection of the general contractors and the letting of the bids was primarily handled in house by the Kuwaities, however, Thomas & Hutton did receive bid tabulations on many of the jobs that it designed along with copies of some of the

contracts that were let for the construction of the water and sewer facilities. Thomas & Hutton also had its own records to review concerning the cost of the projects for the water and sewer facilities on Kiawah since it also provided cost analysis as part of its design and construction administration services. The cost of this study conducted by Thomas & Hutton was \$4,988 which was paid by the utility company.

The study revealed that the asset pool totaling \$9,274,000 was known and measurable. The values that Thomas & Hutton calculated compared to the records of Kiawah Island Utility Company concluded that there was a \$2.2 million difference between the assets identified by Thomas & Hutton and those recorded on the books of the utility company. In other words, according to the Company, the Thomas & Hutton study found that there were more assets actually in place and in use by the utility company on June 17, 1991, than were actually owned and recorded on the books of the Company. The Company's books showed that only \$7.1 million were owned by the utility company.

The Company took issue with the terminology used by the KRG in describing the difference in the assets recorded on the books of the utility versus the assets identified by the Thomas & Hutton study. The KRG referred to these assets as "phantom assets." It was the opinion of Mr. Clarkson that the assets do in fact exist, and are being utilized by the Company.

It appears that the confusion exists in the fact that certain water and sewer assets may not have been transferred to the utility

company from the parent and properly recorded on the utility's books or properly transferred by the previous owner. In fact, upon cross-examination, Mr. Clarkson admitted that those unidentified assets could have in fact been donated by the parent company to the utility company. However, it was Mr. Clarkson's opinion that the assets existed and do exist, but that they had not been properly transferred to the utility company.

Mr. Clarkson stated that it was important for the utility to know what assets it possessed, to have title to these assets so that there would not be any cloud on the title or any problems in the future as to ownership of the lines. Additionally, the lines could be subject to various types of liens which, according to Mr. Clarkson, could put at some risk the operations of the utility company.

Of the \$1,750,000 in assets transferred, \$891,660 could not be adequately identified for reporting purposes by the Company. It was these "unidentified" assets that Mr. Clarkson could not determine as to whether or not they had been properly transferred or had been donated by the parent to the utility company. Assets valued at approximately \$400,000 of the \$2.2 million difference was donated by KRA to the utility as part of the transfer. This was provided through the Company's response to the Commission Staff's Data Request and through the testimony of Clarkson and Bohannon. KRG identified \$1,126,493 worth of plant which could not be identified.

(F) Availability Fees

The Consumer Advocate proposed that Availability Fees collected by the development company be treated as revenues for ratemaking purposes of the utility. According to witness West, the Availability Fees should be included in determining the Company's revenue requirement. The Company realized Availability Fees of \$120,031 during the test year and \$1,263,687 through the end of 1990. It was Mr. West's recommendation that revenues be increased by \$120,031 and would provide for better matching of costs and revenues. Concomitantly, Mr. West suggested that amortization should be reduced by \$30,328 and net operating income should be increased by \$120,031 and \$30,328, respectively.

(G) Relationship of Utility to Parent Company

The KRG made several recommendations concerning the relationship between Kiawah Island Utility, Inc. and Kiawah Resort Associates, L.P., the parent company of the utility. The fact that the parent company of the utility is also the developer and provides certain managerial oversight to the utility causes grave concern amongst the KRG. The KRG questioned such things as the determination of transmission and distribution lines between the utility company and the parent company, the payment of financial advisory fees, the use of construction companies that have a relationship with the parent company, and other related activities between the parent company and the utility. The Commission considered the information provided to it by the Intervenor as well as the rebuttal of the utility company. Similar issues were

raised in the 1985 rate case, in Docket No. 85-83-W/S. There, the Commission made no finding of any wrongdoing, but recognized the close relationship between the parent development company and its subsidiary utility.

The Company rebutted those assertions through the testimony of Mr. Clarkson, as well as that of Mr. Bohannon and Mr. Ellison. The thrust of the rebuttal testimony supplied by the Company is that the utility company and the parent took precautions to insure that the transactions between the two were properly handled and fair to the ratepayers.

The KRG proposed that the costs of the Thomas & Hutton study to determine the value of the plant in service be eliminated. The reduction in expenses proposed by the KRG would be \$4,988. Neither the Commission Staff, nor the Company proposed an adjustment in that regard. The KRG, through the testimony of Wallace DuBois took the position that the study took a "broad brush" approach and the study was done for the benefit of the developer, therefore, the utility company should not have to pay the expense of this study. The Company supplied evidence and testimony which supported the utility's paying for the study. Namely, the utility was concerned about its ownership interest in the assets and that it was important to the utility in the future that it have clear ownership and title to these plant assets.

The KRG proposed to eliminate the financial advisory fee for 1990-1991. The financial advisory fee was paid by the utility to the parent for financial services rendered in obtaining loans for

the utility company. It was the opinion of the KRG that the financial advisory fee was redundant, and the management fee should adequately compensate the parent for the management services, including financial services, provided by the parent. The amount of the fee of 1.5% of the loan amount that was paid to the managing partners of KRA. Neither the Commission Staff, nor the Consumer Advocate proposed an adjustment for this amount. According to the rebuttal testimony of Mr. Clarkson, the fee is customary for finding and securing financing for large amounts of money for Company possessing similar qualities to the utility company. Hearing Exhibit No. 17 contained two letters from financial institutions indicating that a fee of 1.5% to 3.0% is customary.

(H) Other Adjustments

As noted earlier, the Commission's Order will only discuss in detail the accounting and pro forma adjustments that were in disagreement among the parties. However, the Commission needs to mention those adjustments that are not in serious disagreement but need to be discussed. The Staff proposed to adjust per book revenues for the purpose of annualizing the operating revenues of the Company. The Commission Staff's adjustment amounts to a reduction of \$80,090 in operating revenues. The Company also proposed to annualize per book revenues by reducing operating revenues by \$22,985. The Consumer Advocate's position of increasing revenues for availability fees would have increased the Company's revenues by \$120,031. The Commission Staff proposed to eliminate tap fees from revenue and book as contributions in aid of

construction. The Company proposed a similar adjustment but the Commission Staff's adjustment would amount to a reduction in operating revenues of \$107,250. The Consumer Advocate agreed with the Staff's adjustment. Both the Staff and the Company proposed to adjust revenue to eliminate interest income and other miscellaneous income. The Commission Staff's adjustment amounts to a reduction in operating revenues of \$24,649. The Commission Staff proposed to annualize salary and wages for payroll increases. Staff's adjustment to O&M expenses would be to reduce such by \$738. The Commission Staff also recognized an increase to O&M expenses for an increase in the rates for purchased water from St. John's Water Company. The Company did not propose such an adjustment due to the late notice from the supplier, however, the information was available to the Commission Staff during its audit of the Company. The Staff's adjustment amounts to \$20,879. The Commission Staff proposed to adjust employee benefits to remove items classified as benefits which are not allowable for ratemaking purposes. Staff's adjustment would reduce O&M expenses by \$727.

The Staff proposed to increase employee benefits to reflect a normalized year's experience. The Staff annualized and compared what was on the books, instead of using the Company's estimated amounts. The Staff also proposed to annualize depreciation expense and accumulated depreciation. Staff's adjustment would increase depreciation expense by \$66,986. Staff proposed to eliminate contributions in aid of construction associated with availability fees and tap fees from depreciation expense. This

adjustment is in compliance with the Commission's rate order and Order No. 85-834 issued in Docket No. 85-83-W/S on September 30, 1985. The Commission Staff's adjustment would reduce depreciation by \$33,284. The Commission Staff proposed to reflect the current property tax assessment, using the latest information from the South Carolina Tax Commission. This amounted to an increase in operating taxes of \$52,834. The Company proposed to increase O&M expenses for an estimated 5% increase. Based upon the most current information from the Company's books and records, Staff found no basis to increase O&M expenses. Therefore, Staff did not propose an adjustment to O&M expenses on this basis.

The Company proposed an increase in fuel and electricity, however, the Staff found no increase in these expenses. At the hearing, the Company concurred with the Staff's adjustment. Both the Staff and the Company proposed to increase professional fees for the costs associated with the prior rate case. The Commission Staff's adjustment would amortize these costs over three years and would increase other expenses by \$10,826. The Staff proposed to remove tap fee expenses from O&M expense and capitalize these items. The Commission Staff's adjustment would amount to a reduction in O&M expenses of \$24,494. The Commission Staff proposed to eliminate items not allowable for ratemaking purposes from other expenses. The Commission Staff's adjustment amounts to a reduction in expenses of \$592.

The Commission Staff agreed with the KRG that purchased water expense should be reduced to coincide with the adjustment to

revenues for the purchased water sales. However, the Commission Staff's adjustment of \$43,842 reduction differed from the KRG's proposal of reducing purchased water expense by \$57,842. The Commission Staff's adjustment tracks the purchased water revenue reduction on a one for one basis and represents a matching of expenses to revenues for the test year.

The Commission Staff proposed to compute the effect on customer growth as a result of the Staff's adjustments. In the Commission Staff Report, that adjustment would reduce customer growth by \$2,263. The Commission will determine in its conclusions as to the appropriate amount to be adjusted to reflect the approved adjustments herein.

(I) Motion by KRG

Before the Company put its prefiled rebuttal in the record, counsel for the KRG made an objection to the introduction of the testimony. The basis for the objection was that the testimony is improper rebuttal testimony, and was being used to complete the Company's case-in-chief. The KRG objected to rebuttal testimony relating to management fees, the second Thomas & Hutton study, and the rebuttal testimony of Ellison.

12. The Company's records reflect that after accounting and pro forma adjustments to its operating revenues and expenses, its net operating income is (\$303,625). Company's Application, Exhibit D. The Staff calculated the Company's net operating income for return, after accounting and pro forma adjustments to be (\$133,969). Hearing Exhibit No. 15.

13. The Company has applied for rates which will result in an operating margin after interest of 7.07%, according to the Company's application, Exhibit D.

14. The Commission Staff calculated the operating margin, after interest, to be 8.83% under the proposed rates and assuming Staff's adjustments. Hearing Exhibit No. 15.

CONCLUSIONS OF LAW

1. The Company is a water and sewer utility providing water and sewer service in its service area in Charleston County, South Carolina. The Company's operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10 et seq. (1976).

2. A fundamental principle of the ratemaking process is the establishment of an historical test year as the basis for calculating a utility's rate base and, consequently, the validity of the utility's requested rate increase. While the Commission considers a utility's proposed rate increase based upon occurrences within the test year, the Commission will also consider adjustments for any known and measurable out-of-test year changes in expenses, revenues, and investments, and will also consider adjustments for any unusual situations which occurred in the test year. See, Parker v. South Carolina Public Service Commission, 280 S.C. 310, 313 S.E.2d 290 (1984), citing City of Pittsburgh v. Pennsylvania Public Utility Commission, 187 P.A. Super. 341, 144 A.2d 648 (1958); Southern Bell v. The Public Service Commission, 270 S.C. 590, 244 S.E.2d 278 (1978).

3. The Company chose the test year ending December 31, 1991. The Commission Staff and the other parties used the same test year in calculating their adjustments. The Commission is of the opinion that the test year ending December 31, 1991, is appropriate based upon the information available to the Commission.

4. The Commission concludes that the Staff's adjustments to the Company's operating revenues are appropriate. The Staff's adjustments recognize the changes in billing and consumption data, the reclassification of tap fees, and the elimination of interest income and other miscellaneous amounts. Accordingly, the Commission finds that the appropriate level of revenues for the Company for the test year under the present rates and after accounting and pro forma adjustments is \$1,920,374.

5. The Commission also concludes that the Staff's adjustments to the Company's operating expenses are appropriate with the following exceptions. The Commission makes this conclusion based on the following legal principles and reasoning:

(A) Asset Transfer

The Company and the Commission Staff agree that all of the assets evaluated by the Thomas & Hutton study should be transferred to the utility in the amount of \$1,750,000. However, the KRG brought to the Commission's attention that a substantial portion of that amount could not be adequately identified. While the Commission does not agree with the KRG that these assets were "phantom assets," the Commission is of the opinion that for ratemaking purposes, these assets were not identifiable as to

whether or not they had been previously donated to the utility company by the predecessor parent, or whether or not they still existed on the parent company's books. It is uncontradicted in the record that the assets existed and were known from an engineering and an accounting standpoint. However, the Commission is of the opinion that the utility company's ratepayers should not be responsible for paying for assets that cannot be properly identified on either Company's books. Therefore, the amount of \$891,660 which was identified by the Thomas & Hutton study as "unidentifiable," will not be allowed in the Company's rate base for ratemaking purposes. Therefore, only \$858,340 will be placed into plant in service by the Company and \$891,660 will be eliminated.

Accordingly, depreciation and accumulated depreciation are affected by this adjustment. Depreciation expenses will decrease by \$19,617 and accumulated depreciation will decrease by a like amount. As a result of the elimination of the unidentified assets from the Company's rate base, interest expense is reduced by \$29,655. This is caused by Staff's interest synchronization adjustment. Staff has allocated income for return to long term debt and common equity as depicted in Hearing Exhibit No. 15, Accounting Exhibit A-4, Return on Common Equity. The result of this allocation is to synchronize interest expense to the Company's investment in plant.

(B) Rate Case Expenses

The Company provided information during the hearing which updated its rate case expenses for this proceeding. The Commission concludes that the submittal of the Company is appropriate and will thereby amortize the total rate case expenses over a three-year period.

(C) Management Fees

The Commission has considered Hearing Exhibit No. 8 submitted by the Company during the proceeding in which the Company attempted to allocate the overhead and cost of the services provided by the employees of the parent company to the utility. However, this information was not made available to the Commission Staff when it conducted its audit, was not supported by time sheets of the KRA employees, nor was this information submitted in time for the Commission Staff to conduct an audit. The evidence supports the Commission Staff's adjustment to the Company's management fees; therefore, the Commission adopts the Staff's adjustment. In the future, if the Company wishes to present similar information concerning the allocation of such costs to the utility company, time sheets and appropriate records should be maintained and available for inspection.

(D) Data Processing Upgrade

The Company's original adjustment for Equipment Rental was \$2,832 for the purpose of a computer lease upgrade in 1992, plus the additional cost for existing equipment lease agreements. Staff did not accept the original adjustment due to the lack of proper

authorization (no signed contract or agreement). The Company provided additional information at the hearing in support of the data processing upgrade. The total for the Company's proposed new adjustment was \$31,476, a drastic increase from the original proposal. The Commission believes the large variation from the original adjustment necessitates an analysis be made to determine the reasonableness for such adjustment. Since the information was presented at the hearing, Staff did not have ample time to do such analysis and therefore the Commission rejects the adjustment.

(E) Ocean Course Drive Extension

The Company took issue with the Commission Staff's proposal which eliminated the total cost of the extension, but allowed the Company to recover the cost of the extension over time as the area builds out. The Company noted and pointed out to the Commission that in its 1985 rate case, the Commission approved the Governor's Drive extension on the basis that it was done to serve the future needs of the customers and would be in place to render service as those future customers desired it.

Since the 1985 rate case, the Commission has considered other extensions and additional plant facilities of its jurisdictional utility companies. The Commission has heard arguments in the past concerning excess capacity, and facilities that were not used and useful² and is persuaded that in this instance, the proposal of the

2. See, Application of TCU, Inc. for an increase in water and sewer rates and charges, Docket No. 90-287-W/S, Order No. 91-361, issued May 17, 1991, p. 22.

Commission Staff is a reasonable balance between the interests of the utility, its shareholders, and the ratepayers. While the Company will be allowed to recover its costs of the Ocean Course Drive extension, it will be done in such a manner which coincides with the growth of the system as the area builds out. In this manner, the Company will recover its costs over time and the ratepayers would only pay depreciation and interest on that portion of the plant that would be necessary for service at that point in time. Additionally, the Commission Staff's proposal recognizes the Company may have future growth during the intervening period between rate cases and adequately recognizes that phenomenon. Additionally, should the Company experience faster growth in the future, then the calculation of the recovery could be adjusted to recognize that growth in subsequent rate cases.

(F) Availability Fees

The Commission concludes that the Consumer Advocate's proposal to recognize Availability Fees as revenues is inappropriate for this situation. The developer, KRA, bills and collects the availability fees which are now known as "building incentive" fees. The developer is responsible for building the distribution system for the water and sewer facilities and arguably uses those dollars towards that end. That distribution system is then turned over to the utility company. The Commission does not see in this case that the availability fees are any kind of revenue stream to the utility, rather, the availability fees are appropriately recognized as a contribution in aid of construction and rate base is reduced

accordingly. The Commission finds that the Commission Staff's adjustment in this regard is appropriate.

(G) Relationship of Utility to Parent

The KRG presented several situations in which they questioned the relationship of the utility and its parent company, KRA, L.P. The Commission concludes that the utility adequately rebutted the allegations that ratepayers would be adversely affected by any of the activities of the parent and the utility. The Commission has denied the increase in management fees, and is satisfied with the explanations given by witnesses Clarkson, Bohannon and Ellison as to the system of checks on the propriety of dealings between the utility company, its parent company, and any related companies. It is the Commission's concern that the ratepayer's are not negatively impacted by the relationship between the parent and the utility. All of the evidence presented at the Commission tends to support this policy. The Commission finds and concludes that the financial advisory fees paid by the utility to the parent company for its assistance in obtaining certain loans for the utility are supported by the record and should be approved for ratemaking purposes herein. The Commission also concludes that the Company benefited from the study conducted by Thomas & Hutton and should appropriately bear the expense of the study. The utility was able to identify its assets used in its operations and obtain title to them.

(H) Motion by KRG

While the KRG stated that the Company's rebuttal testimony concerning the management fee was mainly an attempt to "bootstrap" its direct testimony and not submitted in response to any intervenors or staff testimony, the Commission disagrees. It appears to the Commission that the Company rebutted the Commission Staff's position. The objection of the KRG to the management fee rebuttal testimony is overruled. In any event, based upon the Commission's adoption of Staff's adjustment, the issue is moot. As to the Thomas & Hutton study, KRG admitted that it had raised the issue of the asset transfer. KRG argues, however, that since neither KRG nor the Staff had an opportunity to review the second study, it would be unfair to allow the testimony. Again, the Commission disagrees. Retuttal testimony is not normally required to be prefiled, but in this case, it was. The KRG had the testimony is advance of the hearing and did not attempt any discovery. Moreover, it appears that the testimony submitted directly relates to the issues raised by the KRG and is appropriate rebuttal. KRG's objection is overruled. As to Arnold Ellison's testimony, the Commission is of the opinion that relates to the issues raised by the KRG of relationship of the utility to the parent and is appropriate rebuttal. The KRG's objection is overruled.

(I) Other Adjustments

The Commission concludes that since there were no objections to the other adjustments proposed by the Commission Staff, that these adjustments, as supported by the record, are appropriate for ratemaking purposes. All other adjustments proposed by the parties not specifically addressed herein have been considered by the Commission and have been denied.

5. Accordingly, the Commission concludes that the Company's appropriate operating expenses for the test year, after pro forma and accounting adjustments is \$1,733,625.

6. The Company's appropriate total income for return for the test year, after accounting and pro forma adjustments is \$186,749. Based upon the above determinations concerning the accounting and pro forma adjustments to the Company's revenues and expenses, the Commission concludes that the total income for return is as follows:

TABLE A
TOTAL INCOME FOR RETURN

Operating Revenues	\$1,920,374
Operating Expenses	<u>1,733,625</u>
Net Operating Income	186,749
Customer Growth	<u>2,801</u>
Total Income for Return	<u>\$ 189,550</u>

7. Under the guidelines established in the decisions of Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this

Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and . . . that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

8. There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rates of a public utility. For a water and sewer utility whose rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction, and book value in excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues; the operating margin is determined by dividing the net operating income for return by the total operating revenues of the utility. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984).

The Commission concludes that use of the operating margin is appropriate in this case. Based on the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules, the Company's operating expenses for the test year after accounting and pro forma adjustments, and customer growth, the Company's present operating margin is as follows:

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE

Operating Revenues	\$1,920,374
Operating Expenses	1,733,625
Net Operating Income	<u>186,749</u>
Customer Growth	2,801
Total Income for Return	<u>\$ 189,550</u>
Operating Margin (After Interest)	<u>(3.09%)</u>

9. The Commission is mindful of the standards delineated in the Bluefield decision and of the need to balance the respective interests of the Company and of the consumer. It is incumbent upon this Commission to consider not only the revenue requirements of the Company but also the proposed price for the water and sewer service, the quality of the water and sewer service, and the effect of the proposed rates upon the consumer. See, Seabrook Island Property Owners Ass. v. S.C. Public Service Commission, Op. No. 23351 (Filed Feb. 25, 1991); S.C. Code Ann. §58-5-290 (1976).

10. The three fundamental criteria of a sound rate structure have been characterized as follows:

... (a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates
(1961), p.292.

11. The following Table shows the effects of the Company's proposed rate schedule, after accounting and pro forma adjustments approved herein:

TABLE C

Operating Revenues	\$2,392,758
Operating Expenses	<u>1,892,003</u>
Net Operating Income	500,755
Add: Customer Growth	<u>7,511</u>
Total Income for Return	<u>\$ 508,266</u>
Operating Margin (after interest)	<u>10.84%</u>

12. Based on the considerations enunciated in Bluefield and Seabrook Island and on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, the Commission determines that the Company's proposal is unreasonable but that the Company should have the opportunity to earn a 8.50% operating margin. In order to have a reasonable opportunity to earn a 8.50% operating margin, the Company will need to produce

\$2,281,354 in annual operating revenues.

TABLE D
OPERATING MARGIN

AFTER RATE INCREASE

Operating Revenues	\$2,281,354
Operating Expenses	<u>1,845,158</u>
Net Operating Income	436,196
Customer Growth	6,543
Total Income for Return	<u>\$ 442,739</u>
Operating Margin (After Interest)	<u>8.50%</u>

13. In fashioning rates to give the Company the required amount of operating revenues so that it will have the opportunity to achieve a 8.50% operating margin, the Commission has carefully considered the above-mentioned concerns. The rates designed herein consider the quality of the service provided by the Company to its customers and the need for the continuance of the provision of adequate service, as well as the impact of the increase on those customers receiving service and the need for conservation of water resources.

14. The Commission recognizes the extensive capital improvements that have been made and the increase in purchased water costs. Further, the Commission recognizes the other increased expenses experienced by the Company and that under the current rates, the Company is experiencing a negative 3.09% operating margin.

15. The Commission concludes that while an increase in rates is necessary, the proposed increase is unreasonable and

inappropriate. Accordingly, the Commission will design rates which will decrease the proposed minimum monthly charge for residential water service for customers with a 5/8 inch meter from \$20.00 to \$18.00. All other metered charges for residential water customers will remain as proposed by the Company. Also, the Company's water commodity charge is approved as proposed at \$1.80 per 1,000 gallons over 3,000 gallons per month. The Company's proposed residential sewer service charge is hereby reduced from \$24.50 per month to \$22.00 per month. The Company's proposed commercial water service charge for 5/8 inch meters will be reduced from \$20.00 per month to \$18.00 per month. All other proposed commercial water service charges will be approved as proposed. The Company's commercial sewer service charges for a 5/8 inch meter will be \$18.00 and all other commercial sewer service charges will be approved as proposed. All charges for Hotel and Motel water and sewer service will be approved as proposed, with the exception of the tap fees, which are denied on the basis of lack of justification. The rates will remain at \$220/month. Irrigation water charges will be reduced for 5/8 inch meter customers to \$18.00 per month, while all other charges will remain as proposed. All Fire Hydrant and Golf Course Irrigation charges will be approved as proposed. As to the proposed Special Billing adjustments, the Commission has determined that they are inappropriate. First, the automatic pass through of any price changes from St. John's Water Company is inconsistent with the requirement that the Commission not "allow rates or tariffs to be put into effect without a hearing" such rates or

tariffs result in a rate increase to the public utility. Section 58-5-240(G). Secondly, the special billing adjustment dealing with assessments by a governmental or regulatory agency is purely a hypothetical situation. Until there is indeed such an assessment or at least the threat of one, the Commission will not consider such a proposal.

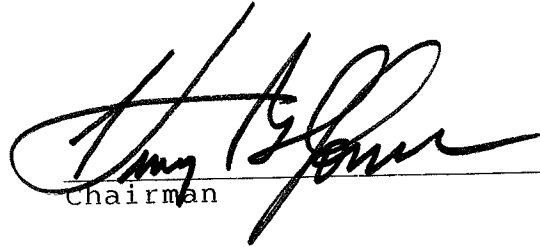
16. Based on the above considerations and reasoning, the Commission hereby approves the rates and charges as stated in this Order and attached hereto as Appendix A as being just and reasonable. The rates and charges approved are designed in such a manner in which to produce and distribute the necessary revenues to provide the Company the opportunity to earn the approved operating margin.

18. Accordingly, it is ordered that the rates and charges attached on Appendix A are approved for service rendered on or after the date of this Order. The rate schedule is hereby deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976), as amended.

19. It is ordered that should the approved schedule not be placed into effect until three (3) months after the effective date of this Order, the approved schedule shall not be charged without written permission of the Commission. It is further ordered that the Company maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Class A and B water and sewer utilities, as adopted by this Commission.

20. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)

APPENDIX A

KIAWAH ISLAND UTILITY, INC.
31 SORA TRAIL RD.
JOHNS ISLAND, S. C. 29455
(803) 768-0641

FILED PURSUANT TO DOCKET NO. 92-192-W/S- ORDER NO. 92-1030
EFFECTIVE DATE: DECEMBER 15, 1992

SCHEDULE OF RATES AND CHARGES:

RATE SCHEDULE NO. 1

RESIDENTIAL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to any residential customer for any purpose.

CHARACTER OF SERVICE -- Water and sewer service.

CHARGES --

Water Service Charge

<u>Monthly Consumption</u>	<u>Water Rate</u>
A. Minimum Bill 0-3000 Gal/mo.	
5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 30.00/mo.
1" meter	\$ 50.00/mo.
1 1/2" meter	\$100.00/mo.
2" meter	\$160.00/mo.
3" meter	\$350.00/mo.
Minimum Water Service Charge for meters larger than 3" shall be:	
<u>Maximum recommended meter capacity (gpm) X \$18.00 per mo.</u>	
20 gpm	
B. Consumption Charge	
All over 3000 gals./mo.	\$1.80/1000 gals.

DOCKET NO. 92-192-W/S - ORDER NO. 92-1030
DECEMBER 15, 1992
APPENDIX A
PAGE TWO

Sewer Service Charge

A flat rate of \$22.00/mo.

TAP FEES -- Water tap-in fee	\$500.00
Sewer tap-in fee	\$500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by 3/4". Where the customer requests a larger meter, Company will apply the tap-in fee schedule for larger meters as listed in the Commercial Service Schedule No. 2.

RATE SCHEDULE NO. 2

COMMERCIAL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Available to any Commercial or Master Metered Residential Customer for any purpose except Hotel or Motel use (see Rate Schedule No. 3).

WATER SERVICE CHARGES

A. Basic Facilities Charge	
5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 30.00/mo.
1" meter	\$ 50.00/mo.
1 1/2" meter	\$100.00/mo.
2" meter	\$160.00/mo.
3" meter	\$350.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B. Consumption Charge	\$1.80/1000 gal. for all consumption
-----------------------	---

SEWER SERVICE CHARGES

A. Basic Facilities Charge	
5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 27.75/mo.
1" meter	\$ 46.25/mo.
1 1/2" meter	\$ 92.50/mo.
2" meter	\$148.00/mo.
3" meter	\$323.75/mo.

Basic Facilities Charge for sewer service where water service is through meters larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B. Consumption Charge \$1.80/1000 gal.
for all consumption

TAP FEES

<u>Tap-in Fees</u>	<u>Water Tap-in Fee</u>	<u>Sewer Tap-in Fee</u>
5/8" meter	\$ 500.00	\$ 500.00
3/4" meter	\$ 750.00	\$ 750.00
1" meter	\$1,250.00	\$1,250.00
1 1/2" meter	\$2,500.00	\$2,500.00
2" meter	\$4,000.00	\$4,000.00
3" meter	\$8,750.00	\$8,750.00

Water Tap-in Fee and Sewer Tap-in Fee for water and sewer service where the water meter is larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$500.00
20 gpm

RATE SCHEDULE NO. 3

HOTEL AND MOTEL SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to all hotel and motel customers for any purpose.

Water Service Charge

Basic Facilities Charge \$8.00/mo/room
All consumption \$1.80/1000 gal.

Sewer Service Charge

Basic Facilities Charge \$7.50/mo/room
All consumption \$1.80/1000 gal.

Tap-in-Fees

Water Tap-in Fee \$220/room
Sewer Tap-in Fee \$220/room

DOCKET NO. 92-192-W/S - ORDER NO. 92-1030
DECEMBER 15, 1992
APPENDIX A
PAGE FOUR

RATE SCHEDULE NO. 4

IRRIGATION SERVICE

AVAILABILITY -- Available within the Company's certificated service area. The Company reserves the right to limit or reduce the amount of irrigation service available when, in its sole judgment, its water system conditions require such restrictions.

APPLICABILITY -- Applicable only to customers who anticipate substantial potable water use which will not be returned to the company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

CHARGES --

WATER SERVICE CHARGES

A. Basic Facilities Charge

5/8" meter	\$ 18.00/mo.
3/4" meter	\$ 30.00/mo.
1" meter	\$ 50.00/mo.
1 1/2" meter	\$100.00/mo.
2" meter	\$160.00/mo.
3" meter	\$350.00/mo.

Basic Facilities Charge for water service with meters larger than 3" shall be:

Maximum recommended meter capacity (gpm) X \$18.00 per mo.
20 gpm

B. Consumption Charge

\$2.05/1000 gal.
for all consumption

TAP FEES

5/8"	meter	\$ 500.00
3/4"	meter	\$ 750.00
1"	meter	\$1,250.00
1 1/2"	meter	\$2,500.00
2"	meter	\$4,000.00
3"	meter	\$8,750.00

Water Tap-in Fee where the water meter is larger than 3" in size shall be:

Maximum recommended meter capacity (gpm) X \$500.00
20 gpm

DOCKET NO. 92-192-W/S - ORDER NO. 92-1030
DECEMBER 15, 1992
APPENDIX A
PAGE FIVE

RATE SCHEDULE NO. 5

FIRE HYDRANT SERVICE

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable to fire hydrants connected to the water mains of the Company.

CHARGES

\$75.00 per hydrant per year payable semiannually in advance for fire fighting service. When temporary water service from a hydrant is requested by a contractor or others a meter will be installed and the charge will be:

\$8.00 for each day of use PLUS \$2.05/1000 gals. for ALL water used.

RATE SCHEDULE NO. 6

GOLF COURSE IRRIGATION

AVAILABILITY -- Available within the Company's certificated service area.

APPLICABILITY -- Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

CHARGES --

- A. Water, the source of which is the effluent from the sewerage collection system and which has been processed through the wastewater treatment plant, will be billed at the rate of:

Basic Facilities Charge	\$164.00/mo.
Consumption	\$.35/1000 gal.

- B. The deep well water will be billed at the rate of:

Basic Facilities Charge	\$164.00/mo.
Consumption	\$.95/1000 gal.

- C. Potable water will be billed at the rate of:

Basic Facilities Charge	\$164.00/mo.
Consumption	\$ 2.05/1000 gal.

DOCKET NO. 92-192-W/S - ORDER NO. 92-1030

DECEMBER 15, 1992

APPENDIX A

PAGE SIX

CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION
AND OTHER MISCELLANEOUS SERVICE CHARGES

CHARGES

1. When a customer requests temporary discontinuance of service for the apparent purpose of eliminating the minimum bill, during such cut-off period the Company may make a charge equivalent to a three months minimum bill for both water and sewer service and require payment of such charge before service is restored.
2. Temporary discontinuance of service for such purposes as maintenance or construction will be made and the Company may charge the customer the actual cost plus 25%.
3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company may make a charge of \$25.00 for water and \$100.00 for sewer before service is restored.
4. Whenever service has been disconnected for reasons other than set forth in (3) above, and the Company is required to reconnect service to a unit that has had the service disconnected, the Company shall have the right to charge a \$25.00 reconnection fee for restoration of service after 4:30 p.m. Monday through Friday or Saturday and Sunday.
5. Delinquent Notification Fee - \$5.00. A fee of \$5.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission Rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
6. Customer Account Charge - \$25.00. One-time fee charged to each new account to defray costs of initiating service.